

Turning shoppers into advocates

The customer focused retail enterprise

While retailers are heeding the daily drumbeat of pundits on the importance of focusing on the customer experience, a gap remains between what retailers are delivering and what shoppers expect. Retailers can close this gap by systematically integrating knowledge of what their best customers want and expect from their brand into every core operational decision. This is where the bar will be set for retailers – to turn shoppers into advocates and create a sustainable, differentiated advantage.

Unprecedented diversity, fragmentation of consumer values and information transparency have polarized the retail marketplace and created an imperative for all retailers to differentiate. In addition, the challenges of an increasingly price-driven world have raised the bar for retailers to create a shopping experience that builds loyalty to brands, channels and services and is not based solely on price.

Certainly these messages are not new and many retailers are moving forward on their customer strategies and are gaining deeper insights into their core customers' needs. But that is just the first step. The new dimension to be explored is how retailers can change the way they operate to create a satisfying and compelling experience. This is a transformational strategy that will enable retailers to turn shoppers into advocates – customers who will recommend and promote the retailer to others, spend more of their wallet with that retailer and remain loyal over time.

Retailers can develop advocates by becoming a customer focused enterprise and blending the customer perspective with a traditional product-centric approach. This new perspective will require retailers to build customer

insights into their core business decisions such as merchandising, marketing, customer service, new product development, and store and channel operations to significantly change the day-to-day operations of the business.

Traditionally, retailers have operated their businesses with an internal focus on their core operations that is product-centric. At the same time, the view of the shopping experience is often constrained by functional silos, which each have their own perspective and expectations for the customer. These separate views can lead to an ineffective customer experience (see Figure).

Disconnected views of the shopping experience.



Source: IBM Global Business Services; IBM Institute for Business Value.



Becoming customer focused requires a shift in how retailers think about and organize their businesses. It is about bringing together an inside-out, operational view with an outside-in, customer view to deliver a superior shopping experience. As retailers combine these two perspectives, incorporating consumer insights into decision making across all core business processes is essential.

When insights are aligned with customer facing processes, retailers can transform their businesses in the following ways:

- The focus on the shopping experience becomes channel, lifestyle and segment based
- Merchandise selection includes category, segment and local market needs and assortment decisions are based on optimizing the baskets of core customers
- Marketing becomes less mass-market driven and more personalized by segment
- Organizational metrics include both product performance and customer satisfaction.

A customer focused retail enterprise understands the entire customer experience and delivers against it to build customer advocates. Six core capabilities are necessary for this transformation:

Consumer insight: Having a deep understanding of core customers' wants and needs

Personalized dialogs: Delivering relevant and customized communications to customers in near realtime across all channels and touchpoints

Multichannel execution: Coordinating and integrating all channels in order to serve customers as a single brand regardless of which touchpoints or channels they use

Tailored offers: Systematically leveraging consumer insights in all core processes to offer products and services that align with customers' expectations and shopping occasions

Associate commitment: Adopting strategies to sustain employee commitment so that they are motivated to satisfy customers

Organizational alignment: Enabling all areas of the company to collaborate seamlessly and adopting new roles to create accountability for the customer experience.

New IT capabilities are also required for retailers to become customer focused enterprises – changes in processes and people alone will not be sufficient. For many retailers, the existing IT architecture is inflexible and has evolved to a point that it doesn't easily support their customer objectives. Customer focused retailers support their customer strategies by integrating capabilities, information and applications and by developing an information architecture and business intelligence system that enables them to operationalize customer insights.

Conclusion

Becoming more customer focused is a multiyear journey that will require executive sponsorship in order to orchestrate the changes required in culture, organization, processes and technology. It is a vital strategy for all retailers and the means for turning shoppers into advocates and creating a sustainable, differentiated advantage. Leading retailers are already moving forward. The time to get started is now.

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